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October 6, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **CATHOLIC CHARITIES OF LOS ANGELES, INC. CONTRACT REVIEW
– A DEPARTMENT OF PUBLIC SOCIAL SERVICES REFUGEE
EMPLOYMENT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract review of Catholic Charities of Los Angeles, Inc. (Catholic Charities or Agency), a Department of Public Social Services (DPSS) Refugee Employment Program (REP) provider. REP Program services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources. The purpose of our review was to determine whether Catholic Charities appropriately accounted for and spent REP funds. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

DPSS compensates Catholic Charities at a fixed monthly fee for each participant and paid the Agency approximately \$638,000 during Fiscal Year (FY) 2009-10. Catholic Charities provided services to residents of the Third and Fifth Supervisorial Districts during FY 2009-10.

Results of Review

The program participants met the eligibility requirements for the REP Program and Catholic Charities staff possessed the required qualifications. Catholic Charities maintained adequate internal controls and appropriately charged expenditures to the

REP Program. In addition, the Agency's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs. However, Catholic Charities did not maintain documentation that the REP participants met the required participation hours. In their attached response, Catholic Charities indicated they developed a corrective action plan to ensure case file documentation is complete by retraining staff, creating internal tracking procedures and monitoring staff.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Catholic Charities and DPSS on August 1, 2010. In their attached response, Catholic Charities management agreed with our findings and recommendations. DPSS indicated that they will work with Catholic Charities to ensure that the recommendations are implemented.

We thank Catholic Charities management and DPSS for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Cardinal Roger M. Mahony, Chairman, Catholic Charities
Monsignor Gregory A. Cox, Executive Director, Catholic Charities
Brenda Thomas, Department Director, Catholic Charities
Public Information Office
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM
CATHOLIC CHARITIES OF LOS ANGELES, INC.
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

The Department of Public Social Services (DPSS) contracts with Catholic Charities of Los Angeles, Inc. (Catholic Charities or Agency), a private non-profit organization, to provide services to refugees who have resided in the United States for less than five years. The contract services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources.

The purpose of our review was to determine whether Catholic Charities complied with the contract terms and appropriately accounted for and spent Refugee Employment Program (REP) funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

ELIGIBILITY

Objective

Determine whether Catholic Charities provided services to individuals that met the eligibility requirements of REP services.

Verification

We reviewed the case files for 20 (4%) of the 497 program participants that received services during December 2009.

Results

All 20 participants met the eligibility requirements for REP services.

Recommendation

None.

PROGRAM SERVICES**Objective**

Determine whether Catholic Charities provided the services in accordance with the County contract and REP guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 20 participants that received services during December 2009.

Results

Catholic Charities generally provided program services in accordance with the County contract. However, two (10%) of the 20 participant case files we reviewed did not have documentation that the participants met the required participation hours and Catholic Charities did not document any non-compliance resolution actions, outreach efforts and final outcomes as required by the contract.

Recommendations**Catholic Charities management:**

1. Ensure REP participants meet the required participation hours and document any non-compliance resolution actions, outreach efforts and final outcomes.
2. Ensure case file documentation is complete.

STAFFING QUALIFICATIONS**Objective**

Determine whether Catholic Charities staff possessed the qualifications required by the contract.

Verification

We reviewed the personnel files for eight Catholic Charities employees.

Results

Catholic Charities' staff possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether Catholic Charities met the planned performance outcomes as outlined in the County contract and reported the performance outcomes to DPSS. The performance outcomes included increasing employment and work participation rates and reducing sanction rates.

We did not perform test work in this section because accurate performance outcome data for Catholic Charities was not available. DPSS indicated that their REP Program performance database was not capturing all of the REP Program participants. DPSS plans to review the Agency's performance outcomes when DPSS updates their system in December 2010.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in Catholic Charities' financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed Catholic Charities personnel and reviewed financial records including the January 2010 bank reconciliations for the Agency's three REP bank accounts.

Results

Catholic Charities properly recorded revenue. However, the Agency did not resolve outstanding checks timely. Specifically, 76 checks totaling \$17,832 were outstanding for over 90 days on the January 2010 Accounts Payable bank reconciliation.

Recommendation

3. Catholic Charities management resolve outstanding checks timely.

UNSPENT REVENUE

Objective

Determine whether Catholic Charities' Fiscal Year (FY) 2008-09 payments reconciled to the Agency's accounting records.

Verification

We traced Catholic Charities' FY 2008-09 payments to the Agency's accounting records.

Results

Catholic Charities' FY 2008-09 payments reconciled to their accounting records. In addition, Catholic Charities did not have any unspent revenue for FY 2008-09. Specifically, the Agency's \$739,000 in expenditures exceeded their \$588,000 in revenue from DPSS by \$151,000.

Recommendation

None.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures were allowable under the County contract and properly documented.

Verification

We interviewed Catholic Charities personnel and reviewed financial records and other documentation for 12 non-payroll expenditures totaling \$4,513 that the Agency charged the Program from July 2009 through January 2010.

Results

Catholic Charities' expenditures were allowable and properly documented

Recommendation

None.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether Catholic Charities maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Catholic Charities personnel, reviewed their policies and procedures manuals and conducted on-site visits.

Results

Catholic Charities maintained sufficient internal controls over its business operations.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Catholic Charities' fixed assets and equipment purchased with REP funds were used for the REP Program and were safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed 10 items purchased with REP funds.

Results

Catholic Charities used the equipment purchased with REP funds for the REP Program and the assets were safeguarded. In addition, the depreciation costs charged to the Program were allowable and properly documented.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the REP Program. In addition, determine whether Catholic Charities obtained criminal background clearances and verified employment eligibility for the employees assigned to the REP Program.

Verification

We traced the payroll expenditures for eight employees totaling \$13,766 for January 2010 to the Agency's payroll records and time reports. We also interviewed staff and reviewed eight personnel files for staff assigned to the REP Program.

Results

Catholic Charities appropriately charged payroll expenditures to the REP Program and obtained employee criminal background clearances for staff assigned to the Program.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Catholic Charities' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures Catholic Charities' incurred during FY 2009-10.

Results

Catholic Charities' Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the Auditor-Controller's prior monitoring review.

Verification

We verified whether the outstanding recommendations from the FY 2006-07 monitoring report were implemented. The report was issued on January 26, 2007.

Results

Catholic Charities implemented the recommendations contained in the prior monitoring report.

Recommendation

None.



Cardinal Roger M. Mahony
Chairman of the Board

Reverend Monsignor Gregory A. Cox
Executive Director

August 31, 2010 (Revised)

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**RESPONSE TO REPORT OF CONTRACT REVIEW OF DPSS REFUGEE
EMPLOYMENT PROGRAM PROVIDER FOR FY 2009-10**

Attached is our response to the above report dated August 17, 2010. Our response will only address those two review areas (of the eleven areas that were reviewed) that had Recommendations.

We are in agreement with the findings of the review. The three recommendations in the two areas we are responding to are show below. We have restated the Results and the Recommendations, as presented in your report, along with our Response and Corrective Action Plan.

We would like to take this opportunity to thank your auditors for the professional manner in which they conducted this review.

PROGRAM SERVICES FINDINGS

Results

CCLA generally provided program services in accordance with the County contract. However, two (10%) of the 20 participant case files we reviewed did not have documentation that the participants met the required participation hours and did not document any non-compliance resolution actions, outreach efforts and final outcomes as required by the contract.



- 2 -

Recommendations

CCLA management:

1. Ensure REP participants meet the required participation hours and document any non-compliance resolution actions, outreach efforts, and final outcomes.
2. Ensure case file documentation is complete.

CCLA Response:

Recommendation #1

CCLA agrees with the recommendation and has addressed the issue in the Corrective Action Plan below.

Recommendation #2

File documentation was not complete for the two cases noted. There were discrepancies between activity assignment and participant completion with inadequate documentation of applying timely outreach, follow-up or compliance procedures.

Corrective Action Plan:

To correct the discrepancies above, our plan includes;

- Retraining of program staff in timely and complete documentation processes including the review of assigned vs. actual hours.
- Monitoring of staff's proper use of MALE screen Alerts on GEARS.
- The creation of enhanced internal tracking procedures for timely verification of hours.
- Increased CQI checkpoints for review of documentation of participant hours during quarterly agency Continuous Quality Improvement monitoring.
- At least quarterly review of participation documentation policy and procedures at monthly case manager meetings.

- 3 -

CASH/REVENUE FINDINGS

Results

CCLA properly recorded revenue. However, the Agency did not resolve outstanding checks timely. Specifically, 76 checks totaling \$17,832 were outstanding for over 90 days on the January 2010 Accounts Payable bank reconciliation.

Recommendation

3. CCLA management resolve outstanding checks timely.

CCLA Response:

Recommendation #3

We agree with the recommendation. Although CCLA reviews outstanding checks on a monthly basis and we research checks once they become outstanding for 90 days, we do have problems with getting these items properly resolved. The sites/departments are notified of these outstanding checks so that the payee may be advised to cash the check. Once the payee has been contacted, a determination is made whether there is a need to void or reissue the check. Many times it is difficult to contact and get a response from the payee.

Corrective Action Plan:

We are working on a plan to better increase our efforts to resolve these older items on a timelier basis.

If you have any questions, please let me know.



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